



Ambassador Jeffrey L. Bleich – National Press Club

Remarks of Ambassador Bleich at the National Press Club address - Canberra

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Thank you to the National Press Club for inviting me to talk about the U.S. election, and America's vision for U.S.-Australia policy in the Second Obama term.

Now the last time I was in this room was a month ago, hosting an event to watch the U.S. Presidential election returns. That afternoon, while everyone else was enjoying the food here at the Press Club, I was thinking, "it's a party for you guys, but my job is on the line." Today, though, being back in this room, it's different. Today, while everyone here is enjoying their food and wine at the Press club, someone on my team promised that I would recap the U.S. election, make predictions about the fiscal cliff, describe the U.S. agenda in the Second Term, and answer your questions live on a nationwide broadcast. So today, my public affairs team's job is on the line, too.

Election Recap and Implications

So let me begin with the election. In the final weeks before election day, the conventional wisdom was that the election was too close to call, and that some very unpleasant scenarios were likely. I was getting lots of questions about whether it was possible that there would be a tie in the electoral college, or whether one candidate would win the electoral college but lose the popular vote. Most of the questions were about procedures for breaking deadlocks, and whether we'd see more CNN images of people squinting at hanging chads. But the constant refrain was usually that, regardless of the outcome, how could either candidate ever expect to govern when the nation was so bitterly divided, demoralized, and utterly deadlocked.

And then we had the election. And we saw how the American people really felt.

First, we saw that far from being demoralized, they were energized. There was a heavy voter turn-out nationwide. Indeed, the high turn-out in 2008 turned out not to be a fluke. Groups that had turned out in historic proportions in 2008 came out to vote again in 2012.

Second, we saw that the race was not nearly as close as the pundits had predicted, and the people were not nearly as deadlocked. In fact, the President won easily by a margin of 332-206 electoral college votes, or nearly 62% of the electoral college. To put that in historical perspective, this is a higher percentage of electoral votes than Thomas



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Jefferson, Abraham Lincoln, John F. Kennedy, Richard Nixon, or President Obama's predecessor, George W. Bush, won in gaining the White House.

Likewise, public opinion was not particularly close. President Obama won an absolute majority, winning by over 4.6 million popular votes, or about a 3.6% margin. Again, to put that into just recent historical perspective, that's a wider margin than Kennedy, Nixon, Carter, or either of the George W. Bush elections.

Third, President Obama's win was not just based on personality; it reflected a trend across all of the federal elections. Democratic Senators also increased their majority in the Senate, and Democratic Representatives took back a few seats they had lost in the House of Representatives, although the Republicans maintained their majority.

Now I'm not going to try to decipher why the public voted as it did. In the aftermath of this election, we've had plenty of that sort of analysis from media, academics, and politicians. We've even had tweets from Donald Trump, and opinions from pretty much anyone with a Facebook account. The more important point is this -- while feelings may remain strong on both sides, the election was decisive, and the American people and their representatives have accepted the outcome. Once again, executive and legislative power will transition peacefully and without incident in January. There will not be tanks in the streets, unless of course Donald Trump now owns a tank. You'll be able to recognize it, because it will be gold, and have "Trump" in huge letters on the side.

In just over 30 days, America has already moved on from the election. Today, the focus in the U.S. is not arguing over what could have been, but in recognizing what is and envisioning what could be. And that is a very good thing for America and our friends and allies around the world.

The Term Ahead

So where are we today? First, let me dispel one notion, and tell you where we are not. We are not "back where we started, hopelessly deadlocked in a suicidal death-grip, as we wrestle our way over a fiscal cliff." So I'm sorry that you won't be able run that ticker at the bottom of your screens this afternoon.

To begin with, the past four years haven't been nearly as divided and deadlocked as reports suggest. In fact, we accomplished far more in the past 4 years than anyone gives the U.S. credit for. So let's do a quick recap. For starters, we averted a great depression, turning an economy that was losing 6% GDP per quarter, to one in which the Dow Jones has doubled, unemployment has fallen from around 10% to 7.7%, and we've had over 13 consecutive quarters of economic growth. With new technology and Government investment, we have completely revolutionized our energy mix, making ourselves the



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lowest cost producer of natural gas in the world, and soon to be the largest producer of oil in the world, while also recording the largest reduction in carbon emissions in the world. We revitalized manufacturing, adding 400,000 new manufacturing jobs in the U.S., the largest increase in two decades. We have revolutionized our health care system to make it accessible for all Americans. We undertook sweeping reform of Wall Street and legislated equal pay for women. And you know all of that talk about the Space Age being over? We put the Mars Curiosity rover on the face of Mars and are on track to see Americans land on Mars by 2035.

Internationally, we've secured the largest reduction in nuclear stockpiles in the past 40 years. We completed our mission in Iraq. We refocused with our allies in Afghanistan and will complete the security transition within the next two years. We decimated much of the Al-Qaeda network: killing or capturing most of its senior leaders, including Osama Bin Laden. We helped save the Libyan people from genocide. We struck three major free trade agreements, including one with South Korea. And we rebalanced our orientation in the world to the Asia-Pacific. And that is just a fraction of it. So, the claim that America's been hopelessly stalled and gridlocked just isn't true.

Moreover, we are bound for further breakthroughs. When people talk about gridlock in the U.S., it has related to a relatively small but important set of issues. There are some things that we have not been able to resolve yet; the principal one being the best way to reduce our deficit.

Now some pundits have lamented that there is no hope of our resolving this issue as long as our government remains divided, with a Democrat-controlled White House and Senate and a Republican-controlled House. In fact, precisely the opposite is true. Success in achieving a good budget deal is much more likely with a divided Government.

In reality, to strike a deal, both sides need to make concessions that they swore they would never make. As President Obama has said, there is simply no way to reduce our deficit without some combination of cuts to government programs, and increases in government revenues. Democrats who promised never to cut entitlement programs like social security and medicare will have to compromise, and adapt those programs to meet the realities of the baby boom. Republicans, who took a pledge never to raise taxes, will have to abandon some of the Bush Administration tax cuts, as well as inefficient subsidies and tax loopholes. In order for either group to make these concessions, both have to do it simultaneously; both have to get something impossible in return. So, far from being a problem, divided government may be essential in forging a truly effective and durable plan to rein in our nation's budget deficit.

I don't mean to understate the amount of bare-knuckled bargaining and brinksmanship we are likely to see in the process of reaching a deficit reduction plan. But there is every



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reason to believe this grand bargain will happen, and I expect it will happen early in this new term.

First, I think there will be a deal because the alternative is unacceptable to all sides. Congress passed a bill which, in the absence of a bipartisan agreement, would trigger dramatic, automatic cuts. This would take us to the precipice of the so-called “fiscal cliff,” with profound implications for our defense sector and economy as a whole. For this reason alone, I don’t believe either side will let it happen. And indeed, both sides have already put forward plans for reducing the deficit by \$2.2 trillion over 10 years that include both revenue increases and cuts in social programs. The details differ dramatically, but the commitment is there.

A second reason for optimism is timing. The election established that there is popular support for a balanced approach to reducing the deficit, and polls confirm that this is what the public wants. Moreover, with the expiration of the Bush tax cuts, both sides now have leverage that did not exist before the election. Absent some compromise by Republicans, the Democrats can simply refuse to re-enact any of the disputed tax provisions. Both parties know the best time to make such a compromise is now—when the next election is still years away, when the Bush tax cuts are about to expire, and when some members of the outgoing or – as we call it – “lame-duck” Congress have more latitude in their votes as they prepare to leave. Finally, there are external timing pressures. No one knows if or when international financial markets will lose patience and confidence, but everyone knows that if we act too late, the markets will make any action far more expensive.

So in short, I am optimistic about America averting a fiscal cliff, and I’m not discouraged by the process. Frankly, this is how American democracy is supposed to work. It is supposed to be hard and contentious – that is why we have separation of powers and competitive political contests in the first place. Ultimately, neither party has a monopoly on good ideas or good people. We make our best decisions when we are forced to draw upon the best of both sides of politics and all parts of government to reach a deal.

A Future after the Budget Deal

So, what can we expect for America after a budget deal is reached? Let me talk domestically first. With a sustainable budget plan that reduces our deficit and ultimately the national debt, the United States will be in a rare position for accelerated economic recovery and success.

U.S. companies already have more cash on hand to invest than at any time since the 1950s (private equity firms alone are sitting on \$1 trillion, and big American corporations are sitting on top of even more). Our energy costs have dropped dramatically, with



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natural gas now costing only a little over \$3 per BTU, reducing the cost of everything. After years of slow wage growth—not to mention forced efficiencies from the recession—U.S. manufacturing costs are competitive around the world again, and we have added more new manufacturing jobs over the past two years than any time since the 1990s. U.S. workers remain among the most productive in the world, and we continue to lead the world in innovation, with more new patents each year than the rest of the world combined. In fact, the IMF competitiveness index this year ranked the U.S. number 2 in the world, behind only Hong Kong. Our housing market also seems to finally have turned the corner, spelling increasing relief for families that have been saddled with underwater mortgages.

So, as a practical matter, we are springloaded for recovery. Passing a budget deal will reassure both investors and consumers that the U.S. has the capacity to act, and that will help open the door to the strong recovery we and the rest of the world have been waiting for. After that, a rejuvenated economy opens a wide range of possibilities for legislative achievements.

U.S. Economic Recovery and Engagement

Now let me address our international future. While a stronger economic recovery strengthens America internationally, recovery also depends upon some curbing of our government spending, which worries our allies. In particular, there have been questions about how committed the United States is to the Asia-Pacific region, and whether our statements about a pivot, or refocus, or rebalance, will be supported by actions.

I know there is a story-line out there that the aftershocks of the financial crisis and the need to reduce government costs mean that the U.S. will inevitably need to recede from its commitments in the Asia-Pacific. So let me be absolutely clear about this. We aren't leaving or receding. The U.S. is not only committed to meeting its commitments – it is increasing those commitments in the Asia-Pacific. To use a blackjack term, we are doubling down on our bet on the success of this region. We are a Pacific nation and we will be working with you to make this the Pacific's greatest century.

Now when I mention our refocus on the Asia-Pacific, that is too often interpreted as a focus on security arrangements. This misses the point. Our commitment to this region is multifaceted and that is what you will see in the coming years.

So first, let me explain why we are doubling down on this region. In large part due to investments that we've made in the nations of this region, the Asia-Pacific is rapidly becoming the center of gravity for economic growth, demographic change, and potential human advancement. Hundreds of millions of people are being lifted out of poverty in China, nations like Vietnam and Indonesia are rapidly rising, the people of Burma are



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tasting the first sweet drops of freedom in decades. After all the work we've done to see these achievements, the only reason we would retreat from this region now is this -- if we had completely lost our minds.

Our commitment therefore is not simply a security commitment – we're committed to helping advance all of this progress. That is going to require that we work with Australia and other nations to usher in a new era of Asia-Pacific cooperation. No country can meet the needs of this region alone. By 2050, 1.3 billion people will be added to the middle class here; that will require more water, food, and energy than this planet has ever produced.

We will face increasing environmental challenges not only from growth, but also from the effects of climate change.

In terms of trade, the vast influx of wealth to these countries risks dangerous levels of corruption.

In the meantime, the rising powers of this region will do what rising powers do – put more ships on the seas and more satellites in the skies. In fact, scholars project that this year, defense spending in Asia will surpass defense spending in Europe.

That means our commitment has to be across the board – economic, diplomatic, and security engagement at all levels.

Economically, in a second term, our focus will be on trade, transparency, and protecting investment. This region has unlocked an enormous potential for American exports. Over the last few years, we've had a renaissance in trade, which is driving approximately a quarter of our economic growth. In 2010, President Obama set a bold goal to double America's exports within five years. Two years later, we are on target to do just that, with exports to this region accounting for much of that. A successful Trans-Pacific Partnership agreement will generate new trade opportunities by linking the markets of 11 nations around the region with 30% of the world's GDP, with other Asia-Pacific economies welcome to join later.

And trade, of course, is driven by investment. The U.S. is already by far the number one investor in Australia, fueling a huge slice of Australian exports to Asia and creating good jobs in both countries. To put it in perspective, our direct investment in Australia is 10 times that of the investment by the world's next largest economy, China. And the markets of this region are re-investing in the United States. So we have a special interest in the integrity of these markets. That is why we are negotiating bilateral investment treaties with China and India, and aiming for the highest standards of investor protection in the TPP. We will also be working hard to stamp out corruption. Efforts like the EITI



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– a transparency initiative for extractive industries -- are essential to preventing corruption from undermining confidence in countries with rich natural resources but weak governance systems. The TPP will be another way to ensure that there are common anti-corruption rules to make the markets operate efficiently.

Moving on from economic issues, the same is true of our commitment to diplomacy. America, – to use a poker term this time – is “all in” here diplomatically in the Asia-Pacific. In the past three years, we signed the Treaty of Amity and Economic Cooperation with ASEAN nations, joined the East Asia Summit, and reinvigorated our engagement with APEC. We’ve joined with Australia in forming the Trans-Pacific Partnership to bring down trade and investment barriers in the region and establish open markets. And we’ve had a record number of visits by our Nation’s leaders to this region, engaging on every imaginable subject. Our goal is simple: to build strong, durable multilateral institutions that will ensure peace, prosperity, and the rule of law. This is the only way to allow the nations of this region to respond cooperatively in addressing the challenges that come with great wealth and opportunity.

American and Australian leadership will be critical on this front. We are not only nations that respect the rule of law and human rights. We are problem-solvers. Our farmers and engineers are developing new approaches and new technologies. Our businesses are unlocking huge new sources of energy, including renewables. Our policymakers are developing local solutions and advancing international agreements. The problems are not insurmountable. But they will require the support of both our nations to bring about sustained and collective action.

Finally, in the area of security, we are rebalancing our presence in this region, and building relationships to keep sea channels and communications open. Our Navy’s resources are currently divided 50-50 between the Atlantic and the Pacific. As part of our rebalance, we will move to a 60-40 split that favors the Pacific. We have started to alter our force posture, and will be doing more training rotations in this region, like the Marines training in Darwin. And most of all we will be training with other nations.

We know that no one nation can do this alone, and we don’t want to do this alone. So the core of our security plan is based on strengthening our alliances and expanding partnerships with emerging nations that share the values and interests of the U.S. and its allies. The United States is modernizing its alliances across the region with Australia, but also with Japan, the Republic of Korea, the Philippines, and Thailand. At the same time, we are upgrading our partnerships with countries like Singapore and Indonesia. We expect China to continue to assume greater responsibility, and we have invited them to participate in every aspect of this, including military exercises. You’ll also see us expanding our security partnership with India, the world’s largest democracy.



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Finally, we see the next four years as an important time to ensure security not only on land and sea and in the skies, but in the vast new frontiers created by technological advances.

One key issue is security in the relatively new dimension of cyberspace. We need to protect the Internet as a global commons: We depend upon the Internet more each year to learn, to trade, to govern and to connect. An open and secure internet is not only the way much of the world gets its news and mail and funny cat videos, it is essential to our markets, to our energy supplies, to every aspect of society.

But our dependence on the Internet also means we live in a world where a criminal group half a world away can steal online banking information from our citizens; and where hostile actors can use cyber weapons to threaten our water supplies and our electrical grids. In this new world, we need to not only patrol sea lanes, but also cyberspace. That is why the U.S. and Australia have recently joined in signing the Budapest Convention on Cybercrime. And we will be working together even more closely to fight the cyber criminals who target our governments, our businesses and our citizens. Finally, we'll be collaborating on solutions like cloud computing that offer the strongest line of defense against cyber threats.

The other dimension in which the U.S. will look to work with Australia is in protecting near space. Satellites have become essential in helping us communicate, monitor the weather, and respond to disasters. They are in some respects the nervous system of our civil and defense infrastructure, as well as global commerce. But the orbit in which these satellites travel is getting more and more crowded. As more nations launch satellites, the potential for collisions increases. Some nations are testing anti-satellite weapons, scattering thousands of pieces of debris across an environment already crowded by more than 50 years of activity in space.

Just as Australia and the U.S. have always come together to protect our seas, lands, and skies, there is a new imperative to protect and maintain our planetary orbit for the peaceful use of all nations. That's why, during our AUSMIN consultations in Perth last month, the United States and Australia agreed to continue to build on our 2010 Joint Statement on Space Security. Specifically, we will be working together on transparency and confidence building measures, such as negotiating an International Code of Conduct for Outer Space Activities to promote responsible behavior in space.

In short, we have a big, meaty agenda here. Even with some looming reductions in government expenses, we have made our intentions clear. We will not neglect any aspect of the Asia-Pacific region, and we are fully invested in our collective future here with Australia.



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Never Kill the Category

So now I've discussed several aspects of what the election means, for decision-making, for the fiscal cliff, for the U.S. economy, and for engagement in the Asia-Pacific. But before I open this up for questions, there is one last point that comes out of this election that I'd like to share.

Elections not only decide what governments will do, but they reveal what people think. This year nearly \$2 billion was spent by both sides of American politics on the Presidential campaign. Much of that money was spent on negative advertising by SuperPACs that sought to demonize and caricature the two nominees, both of whom are gifted leaders committed to public service. Even more money was spent on endless coverage of the campaign, most of which included dire statements about how bad government had gotten and how neither party could ever possibly fix it. Both sides bemoaned the sorry state of government.

And this has an effect.

It threatens to convince more and more members of the public that the system must be broken, that no one can fix it, and that they can't trust government regardless of who is in charge.

If this is what we are training people to think, is it any wonder that the public lacks trust in their leaders? When we need our government to help us do big, hard things together – whether it is improve our healthcare system, or reduce carbon emissions, or reduce our deficit – we find it harder and harder to rally public support for anything that the Government proposes. After two years of spending billions of dollars convincing the public that government can't do anything right, and whoever is elected will only make it worse, why should any of us be surprised when the public lacks trust in any government proposal.

The New York Times columnist, Thomas Friedman, tells a story that helped crystallize this for me. He said that during the advertising wars between McDonalds and Burger King, a political consultant was talking to one of Burger King's marketing guys. And he asked him why Burger King had spent hundreds of millions of dollars on advertising but had never said anything negative about McDonalds food. And the Burger King marketing guy said to him: "That is the very first rule of business. You never kill the category."

This is precisely the trap that we have set for ourselves and our Government. In people's eagerness to get elected into government office, they have been killing the category of good government. They have found that condemning government, complaining that



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government is the source of all problems, portraying their adversaries in government as hopelessly incompetent and even malicious, is the way to get elected.

But the cost of this has been to degrade the category of government: it has made people less trusting of society's ability to solve problems, and less willing to invest in solutions.

Great societies require great governments . . . and great private sectors, and great universities and non-profits all working together. The great businesses need schools to train their employees, and they need governments to build the roads, supply power, protect their buildings from criminals or fires, and encourage them to meet public needs. They need to trust government and government needs to trust them.

When great societies decline, they decline because that trust has broken. Throughout history, there has been a relationship between unpaid debt and decline. But decline is not the result of unpaid debt; unpaid debt is the result of decline. Nations that have lost the will to invest in their own greatness – in infrastructure, education, security, and the means that advance its middle class – eventually stop paying for the cost of a great nation, and they become less great.

Thankfully, this election reinforced for me that the United States is still rising as a nation. Despite billions of dollars spent to convince Americans of how bad government has gotten, they came out in record numbers to vote. Despite billions of dollars in messages telling Americans that government can't be trusted with their taxes, millions of Americans voted that they were prepared to pay more taxes and receive fewer services in order to help their nation repay its debts. And when the election ended, even the most bitter of rivals are now committed to finding a solution to reduce the deficit with increased taxes and lower government expenses.

What this tells me is that Americans are still prepared to invest in America, that America will again – as it always has – repay its debts. We still have faith in ourselves. With 5% of the world's population, the U.S. continues to produce 20% of the world's economic output. Our universities continue to attract the best minds from around the world, our research centers continue to produce the vast majority of the world's new technology and innovation, our workers remain the most mobile and productive in the world, and our standards for quality remain among the very best in the world. That formula is not going to change.

My optimism is rooted in the fact that on November 6th, less than a week after storms devastated many East Coast states, over 120 million Americans overcame adversity, overcame cynicism, to stand up and express their view that government matters. They walked to their polls and proved, with their vote, that they still believe in the power of freely elected representatives to resolve problems. We still believe in big dreams. It is



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that faith that will put someone on the surface of Mars later this century. And as long as that faith remains, I believe that the next great chapters of the American story are yet to be written. I look forward to seeing them written here, in this region, in this century, with our Aussie mates.

Thank you.